

OPENING STATEMENT OF SENATOR SLADE GORTON
CHAIRMAN, AVIATION SUBCOMMITTEE
SENATE COMMITTEE ON
COMMERCE, SCIENCE, AND TRANSPORTATION
AVIATION SUBCOMMITTEE HEARING
ON DOMESTIC AND INTERNATIONAL AIRLINE ALLIANCES
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The hearing this afternoon will focus on the impact that domestic and international airline alliances have on consumers and on competition. I cannot emphasize too highly that our concern will be with the people who fly on airlines, on whether or not their convenience, their ability to get where they wish to go quickly and inexpensively will be enhanced or damaged by these airlines. Convenience, price, the general public interest will be in the consumer of airline services rather than in the provider of those services. Cooperation among airlines of course is not new. But the issue takes on real significance this year, because six of the largest domestic air carriers have announced the creation of three major alliances.

Several weeks ago, the Aviation Subcommittee held a hearing to review airline competition guidelines proposed by the Department of Transportation. The hearing made clear that airline deregulation has been a positive development overall, but there were witnesses who were concerned that sufficient competition was lacking in some markets. This prospect of the largest airlines in this country working together has increased the fears of some that vigorous competition may be diminished.

As I said at the hearing on the Department of Transportation's competition policy, I was not there at that point to judge harshly the proposed alliances and the individual carriers involved. I suspect that the proposed alliances may be an appropriate and innovative response to current market forces. Nevertheless, we should not hesitate to discuss those alliances and the benefits, if any, that they offer to air travellers. Will the current alliances trigger true mergers in the domestic industry? If so, does that prospect have negative consequences for passengers?

As I am sure some of this afternoon's witnesses will point out, alliances can take on many different forms. And these do. Cooperation can be as simple as an interline agreement or as complex as a total merger. In examining arrangements along this

continuum, regulators and policymakers must be mindful of the differences, and judge each case on its own merits. In that respect, I note that the three proposed domestic alliances are unique and that none yet involves an actual merger.

Although our witnesses from the Departments of Transportation and Justice will not be able to make specific comments about ongoing cases, I do hope that they will explain their respective roles in the review and analysis of these airline partnerships. It is important for the subcommittee to understand the regulatory and oversight environment in which industry cooperation will be evaluated.

While partnerships among major domestic airlines are a relatively new development, alliances have already become a significant aspect of international air travel. International cooperation allows consumers in the United States easy access to destinations in parts of the world where it would otherwise be difficult for a domestic carrier to penetrate. Government approval of such alliances, which often includes antitrust immunity, has been used by the United States as leverage to open up air service markets in other countries. Despite many of the overall benefits, international alliances, nonetheless, can reduce competition in some markets, such as routes between the hubs of two partners.

Because growth in international air transportation is expected to exceed domestic growth, government regulation of this sector is a crucial concern. The world is still constrained by an elaborate system of bilateral air service agreements that tend to restrict full and open competition. Fortunately, our government has had success in opening many markets. But there now appears to be a new source of concern.

After several months of review and analysis, the European Commission may soon impose conditions on international alliances that have already been approved by the United States and other countries. It would be highly troubling if the United States and European Community policies were to be inconsistent, because international airlines have already made significant investments in their respective alliances. I hope that our witnesses, and particularly those from the Departments of Transportation and Justice, will be able to elaborate.

I do want to thank all of the witnesses for being here to participate in this discussion. They are here freely. I look forward to hearing what they have to say, and the many ways in which they can enlighten us.